



## Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

# REGULATION OF THE NATIONAL BUDGET.\*

BY GEORGE B. CORTELYOU, EX-SECRETARY OF THE TREASURY.

---

BETWEEN the receipts and disbursements of the Government—between the revenues and appropriations—there is coming to be a growing difference in the wrong direction. This condition seems to demand not only some effective plan for increasing the revenues, but a thorough system of co-ordination whereby receipts and disbursements may be properly compared and adjusted, one to the other, by an established authority which shall be responsible for the final balance.

At present there is no such authority. Each claim that is made upon Government resources is pressed by its supporters practically without reference to any other. It lies within the sphere of the Treasury Department to call the attention of the Congress to the estimated income and the estimated outgo for the coming year; but no authority exists—except in the veto power of the President—to bring the one within the limits of the other. It is only when the final results are scheduled, and the country realizes the existence of an enormous deficit, that the situation excites attention and becomes the subject of comment sometimes bordering on censure. Such criticism, however, must invariably fail of beneficial results, because of this lack of a supervising authority, which can make adjustment between the demands upon the Treasury and the nation's revenues.

The method which is at present in vogue is the result of frequent temporary adjustments, resorted to under the necessity of meeting imperative wants of the moment, which are more or less of the nature of makeshifts, and as a whole are lacking in har-

\* This article was received from Mr. Cortelyou while he was Secretary of the Treasury, but its publication has been unavoidably delayed.—  
EDITOR N. A. R.

mony, devoid of unity of plan—an expedient which every year becomes less satisfactory and more obviously detrimental. The regulation of the national budget is a necessity which grows in importance with the growth of the country. The conditions which we face demand it. They call for an intelligent, consistent and economical supervision and adjustment of disbursements to current receipts, and the classification of both receipts and disbursements in such a way as to facilitate such an adjustment.

The rule of average is often invoked, and to a limited extent it is reliable. There are lean years and fat years. There are extraordinary demands upon the Treasury and there are unexpected reductions in the revenues, for which changing conditions will eventually compensate; but in the steadily increasing difference referred to, which we are now witnessing, there is nothing to justify faith in the rule of average as a means of relief. The present situation is the result of more than mere exceptional conditions.

The rapid growth of receipts and disbursements since the lowest point after the Civil War, and the recent tendency of disbursements to outstrip receipts, may be seen at a glance by comparing the Treasury reports at intervals of ten years as follows:

	Net Receipts.	Net Disbursements.
1878.....	\$275,446,776	\$236,964,327
1888.....	379,266,075	259,653,959
1898.....	405,321,335	443,368,582
1908.....	601,126,118	659,196,319

To put the comparison in another way, which even more graphically illustrates the expansion: the growth in ordinary expenses for carrying on the Government, excluding interest on the public debt, but including payments for pensions and for many public works, was from \$135,000,000, in 1878, to \$638,000,000, in 1908—an increase of nearly four hundred per cent. in a generation.

It is not in any way intended, nor is it at all necessary, to criticise the details of these expenditures, or to minimize the benefits which have accrued from them to the health, the comfort and the security of our people, in order to emphasize the fact that the distribution of such immense sums, raised by taxation, should be subject to supervision, classification and co-ordination by a responsible authority established for the purpose.

To carry the comparison to the present and into the immediate future there can be no better argument urged in support of this necessity than the present condition of the nation's finances. The deficit for the fiscal year which ended June 30th, 1908, was \$60,000,000. It has been estimated that the total revenues of the Government, calculated on the basis of existing law, will fall at least \$150,000,000 below the appropriations for 1910, if these appropriations are granted substantially as requested by the departments; while it also seems assured that the revenues for the current fiscal year, ending June 30th, 1909, will be, approximately, \$120,000,000 less than the expenditures. Thus the deficiency of next year may entirely wipe out the surplus in the Treasury, and necessitate an increase in taxes or the sale of bonds.

The demands upon the Treasury are not likely to decline. For years the average increase has been hardly less than fifteen per cent. *per annum*, and in all probability this rate will grow greater in the immediate future, as the call is met for larger expenditures, in the extension of various Government activities. These disbursements, however, are not by any means wholly chargeable to the ordinary expense of carrying on the Government. In this respect, the present form of daily Treasury statements is more or less misleading. It makes no separation between the expenditures for the ordinary service of the Government and those for permanent public works, like river and harbor improvements, public buildings and the Panama Canal.

In this matter our budget differs from that of many foreign countries, where expenditures for permanent improvements are provided for by specific issues of bonds, and the amounts are stated in a separate account from the report of expenditures for the ordinary maintenance of Government; while it has been the custom of this Government to make most of its appropriations for permanent improvements from current revenues, thus allowing the entire burden to rest upon the present for improvements which will largely benefit the future. It is this which has brought about the present contingency, when the receipts are falling farther and farther below the expenditures, not for obviously transient causes, which the near future will naturally rectify, but because the growing demands which we meet, in providing for future needs, outstrip the results reasonably to be expected of our present sources of revenue. It behooves us, then, to give thoughtful con-

sideration to the devising of some method of placing a part of the burden upon posterity, which will chiefly benefit by the expenditures, instead of impressing the whole responsibility upon the present.

For the purpose of illustration, stating our budget in the manner suggested, the account for the fiscal year which ended June 30th, 1908, would appear as follows:

Net ordinary receipts.....	\$601,126,118.53
Disbursements .....	570,477,838.81
Surplus .....	30,648,279.72
Extraordinary disbursements:	
Panama Canal.....	38,093,425.29
Public Buildings under Treasury Department.....	9,341,364.55
Reclamation Service.....	11,126,042.02
Rivers and Harbors.....	30,157,649.01
Reduction of Public Debt.....	34,356,750.00

It may be a question whether all items which involve permanent capital improvement should be placed in this account. It may be proper, in some cases, to charge them to current revenue. But there can be no question that, when bonds are actually sold by the Government to meet the cost of specific public works, like the Panama Canal, such expenditures should be placed in a separate account, or the proceeds of the bonds sold should be accounted for as receipts.

But, whatever changes conditions may make necessary along this line, it will be greatly to the advantage of any system if a supervising power is established, with the authority and responsibility to consider as a whole, and to compare and adjust, the revenues and appropriations. The Secretary of the Treasury is given authority to transmit to the Congress the yearly estimates of revenue and expenditure; but he is not authorized by existing law to reduce these estimates so as to make them conform to the receipts. Neither is any committee of Congress charged with responsibility to compare and co-ordinate the appropriations for the different branches of the public service, in order to distribute equitably such reductions or increases as may be warranted by the condition of the revenue.

There are several independent committees of Congress handling colossal appropriation bills without reference to the committee on appropriations. In itself this may be beneficial and desirable; but with each applicant, public and private, anxious to obtain the largest possible appropriation, with each committee acting with-

out particular reference to general conditions, with no authority for a supervision of the whole, there must result an uneven distribution, with the constant probability of an increasingly large deficit in the end.

It would, perhaps, be competent for Congress to vest in a joint committee the power of revising all appropriation bills, with a view to distributing necessary reductions or available increases according to the relative importance of the objects for which the appropriations are sought. It would certainly seem that some committee should be charged with the direct responsibility of keeping the expenditures of each year approximately within the revenues of the year, or if, in specific cases, this could not be done without crippling branches of the public service, of authorizing the issue of short-term obligations to bridge over the deficit of lean years. By such a committee many needless and wasteful expenditures might be checked, deficits avoided and any surplus diverted to the most necessary and beneficial purposes.

For example: in the matter of public buildings representatives from all over the country are naturally anxious to secure the largest possible appropriations for their districts, letting economy rest with some one else. A great mass of such bills is annually poured in upon the Treasury Department. In many instances, the buildings authorized are found to be unnecessary for the public business and such as could well be postponed for several years at least. But the Secretary of the Treasury has no voice in the matter. Without regard to the prospect of a grave deficit, he is obliged to proceed with the purchase of sites and the construction of the buildings ordered.

This is but an instance suggesting a principle which more or less pervades most appropriation bills; and, whether or not the state of the Treasury demands retrenchment, it could not fail to be of benefit to have some adequate supervising authority. As a simple business proposition, whatever our financial condition may be, there should be an authority to which the people may turn, with power to prepare for unusual contingencies and with the responsibility of avoiding injurious deficits.

GEORGE B. CORTELYOU.